PROVINCE OF

PRINCE EDWARD ISLAND

# THIRTY-NINTH

# ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31ST

# 1987

# LIQUOR CONTROL COMMISSION

# TABLE OF CONTENTS


Letter of Transmittal ..... 5

General Remarks ..... 7

Sales by Retail Stores ..... 9

Profit and Expense Ratios ..... 10

Comparative Statement ..... 11

Distribution of Gross Income ..... 12

Retail Values for Years 1983-87 ..... 13

Licenses and Permits, Licensing Department ..... 14

Auditors Report and Financial Statements ..... 16

The Honourable Allison Ellis,

Minister,

Department of Energy & Forestry,

Province of Prince Edward Island,

Charlottetown, P.E.I.

Sir:

I have the honor to submit the thirty-ninth Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 1986, to March 31, 1987.

Respectfully Submitted,

W. STANHOPE MOORE,

Chairman.

## GENERAL REMARKS

The Commission is presently operating thirteen (13) retail outlets of which eleven (11) are self-service in design and two (2) are conventional or counter type. In addition, the Commission operates a central Warehouse and Licensee Distribution Centre located in Parkdale on the outskirts of Charlottetown.

The major objectives of the Commission are to provide the most efficient system of distribution of alcoholic beverages to the public, maintain a high level of customer service, and maximize revenues to the Minister of Finance while keeping in mind Government policies.

For the fiscal year ended March 31, 1987, gross sales were Forty-five million, five hundred fourteen thousand, six hundred and eighty-five dollars ($45,514,685.00). This is an increase of 3.28% over 1985/86 fiscal year. Net profit for the year, plus health and sales taxes, totalled Twenty million, one hundred fifty-eight thousand, eight hundred and fifty-two dollars ($20,158,852.00). This represents an increase of 4.1% over 1985/86. Cost of goods sold and operational expenses amounted to Twenty-five million, five hundred forty-four thousand three hundred and fifty-nine dollars ($25,544,359.00). This is an increase of 2.67% over 1985/86 fiscal year.

Consumption levels over the last several years have shown a decline on Prince Edward Island. However, this decline of products sold is consistent with the experience of other Canadian Provinces. Anti-alcoholic Lobby Groups, changing consumer drinking habits, stiffer penalties from the courts for impaired driving, and life style changes have all contributed to the lower consumption rates.

The Commission, through its marketing program has implemented a shelf management program in its stores. This enables the Commission to maximize its profit on allocated shelf space and improves customer convenience by stressing consumer demand in determining both location and presentation. As well, other in-store marketing initiatives such as on-pack promotions, supplier contests, end-aisle displays, and new listing promotions have been put in place by the Commission. Major renovations have taken place at the Royalty Mall and Summerside Waterfront stores which improves product presentation and store appearance.

The Licensing & Inspection Department continues to carry out surveillance on all licensed premises and inspections of Special Banquet permits.

As in previous years, the checking of minors and overserving still continue to be two major concerns within the Department. The maintaining of a high level of operational standards was stressed to licensees throughout the year. Strong emphasis was placed on the prevention of breaches of the Liquor Control Act Regulations and Commission Policy within this sector.

Reports indicate licensees, for the most part, continue to operate in a satisfactory manner. The Department continues to have meetings with staff of licensed premises with respect to the enforcement of the Liquor Control Act Regulations. These meetings are well received by the Licensees.

There were seventeen (17) new licenses issued during the fiscal year while thirteen (13) licenses were voluntarily surrendered.

The Commission acknowledges the valuable assistance of the Royal Canadian Mounted Police, the Charlottetown Police Department, Summerside Police Department, and all other law enforcement agencies throughout the Province, other Government Departments, and last but not least, Liquor Control Commission employees for their dedication and contribution to the efficient operation of the Commission during the year.

## PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

## ANALYSIS OF SALES BY RETAIL STORES

## (For the Year Ended March 31, 1987)

| | NET SALES | | |
|---|---|---|---|
| | Year Ended March 31, 1987 | Year Ended March 31, 1986 | Increase (Decrease) |
| ALBERTON | $ 1,061,175.59 | $ 1,024,216.54 | $ 36,959.05 |
| BORDEN | 864,587.69 | 858,391.74 | 6,195.95 |
| CARDIGAN | 3,131,079.89 | 3,004,217.72 | 126,862.17 |
| CHARLOTTETOWN - QUEEN ST. | 2,603,188.99 | 2,736,850.88 | (133,661.89) |
| KENSINGTON | 1,054,627.19 | 1,035,597.36 | 19,029.83 |
| LICENSEE DISTRIBUTION CEN. | 3,790,834.06 | 3,662,858.89 | 127,975.17 |
| NORTH RUSTICO | 1,350,704.09 | 1,300,211.35 | 50,492.74 |
| O'LEARY | 837,265.08 | 842,944.40 | (5,679.32) |
| ROYALTY MALL | 5,969,241.22 | 5,917,291.03 | 51,950.19 |
| SHERBROOKE | 3,579,910.95 | 3,534,137.25 | 45,773.70 |
| SOURIS | 1,556,685.13 | 1,528,287.84 | 28,397.29 |
| SUMMERSIDE | 2,455,234.63 | 2,334,342.16 | 120,892.47 |
| TIGNISH | 1,061,563.88 | 1,058,786.33 | 2,777.55 |
| TOWERS | 4,897,550.76 | 4,339,311.68 | 558,239.08 |
| WAREHOUSE (SUNDRY) | 69,187.48 | 68,836.30 | 351.18 |
| | $34,282,836.63 | $33,246,281.47 | $ 1,036,555.16 |

## PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

## SUMMARY OF PROFIT AND EXPENSE RATIOS (in 000's)

### (For the Years Ended 1983-87)

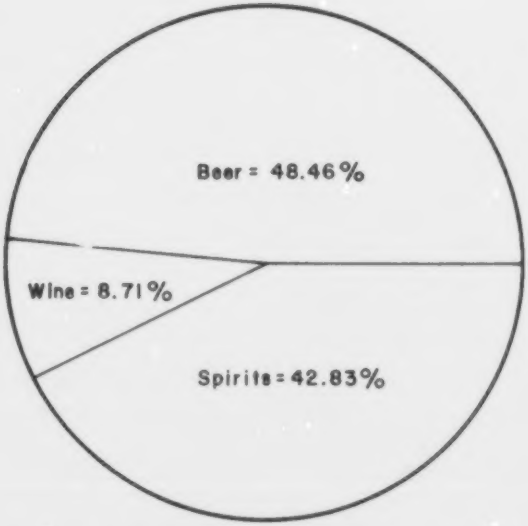
| | 1983* | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|
| SALES | 38,904 | 41,303 | 43,364 | 44,065 | 45,515 |
| GROSS PROFIT | 11,411 | 12,102 | 12,298 | 12,553 | 12,954 |
| NET PROFIT | 7,906 | 8,385 | 8,618 | 8,544 | 8,927 |
| GENERAL AND ADMINISTRATIVE EXPENSES | 3,676 | 3,914 | 3,877 | 4,185 | 4,215 |
| GROSS PROFIT AS % OF SALES | 29.3 | 29.3 | 28.4 | 28.5 | 28.5 |
| NET PROFIT AS % OF SALES | 20.3 | 20.3 | 19.9 | 19.4 | 19.6 |
| GENERAL & ADMINISTRATIVE EXPENSES AS % OF SALES | 9.4 | 9.5 | 8.9 | 9.5 | 9.3 |

*PROVINCIAL HEALTH TAX CHANGE

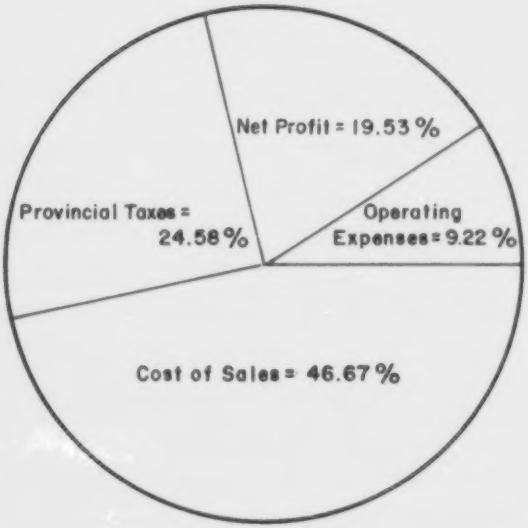
## COMPARATIVE STATEMENT

| | Gross Sales | Health Tax | Sales Tax | Gross Profit | Net Profit |
|---|---|---|---|---|---|
| 1964 | 5,381,463 | 465,079 | 265,593 | 1,679,073 | 1,524,410 |
| 1965 | 5,975,134 | 516,034 | 298,757 | 1,925,402 | 1,730,387 |
| 1966 | 6,570,884 | 567,485 | 328,544 | 2,111,001 | 1,855,305 |
| 1967 | 7,273,136 | 628,136 | 363,659 | 2,330,301 | 2,025,426 |
| 1968 | 8,190,658 | 707,375 | 409,533 | 2,703,928 | 2,332,440 |
| 1969 | 9,038,301 | 780,581 | 451,915 | 3,000,284 | 2,606,209 |
| 1970 | 9,738,688 | 825,960 | 653,127 | 3,239,826 | 2,806,100 |
| 1971 | 10,639,885 | 899,554 | 744,792 | 3,554,861 | 3,056,251 |
| 1972 | 11,912,815 | 995,573 | 952,287 | 4,030,737 | 3,471,592 |
| 1973 | 13,614,618 | 1,137,732 | 1,088,265 | 4,701,365 | 3,981,712 |
| 1974 | 15,682,662 | 1,311,641 | 1,254,613 | 5,439,661 | 4,474,827 |
| 1975 | 17,977,409 | 1,503,565 | 1,438,193 | 6,138,729 | 4,985,202 |
| 1976 | 21,371,136 | 1,787,404 | 1,709,691 | 7,240,505 | 5,767,823 |
| 1977 | 21,620,540 | 1,843,287 | 1,344,387 | 7,466,755 | 5,793,464 |
| 1978 | 24,287,799 | 2,005,822 | 1,500,260 | 8,366,564 | 6,482,257 |
| 1979 | 25,258,836 | 2,156,123 | 1,541.483 | 8,716,321 | 6,688,570 |
| 1980 | 27,602,661 | 2,354,594 | 1.702,124 | 9,783,207 | 7,506,780 |
| 1981 | 29,922,380 | 2,662,073 | 2,055,181** | 10,358,624 | 7,819,513 |
| 1982 | 35,072,507 | 6,120,627 | 2,440,237 | 10,452,764 | 7,313,442 |
| 1983 | 38,904,314 | 6,819,570 | 2,688,211 | 11,410,630 | 7,906,428 |
| 1984 | 41,303,258 | 7,249,723 | 2,826,817 | 12,101,846 | 8,385,392 |
| 1985 | 43,363,896 | 7,634,874 | 2,977,486 | 12,297,568 | 8,617,835 |
| 1986 | 44,065,615 | 7,772,890 | 3,046,443 | 12,553,475 | 8,544,146 |
| 1987 | 45,514,685 | 8,072,811 | 3,159,037 | 12,953,662 | 8,927,004 |

** NOTE: PROVINCIAL HEALTH TAX INCREASED FROM 10 - 25% MARCH 13/81




**Gross Income From The Sale Of Liquor**

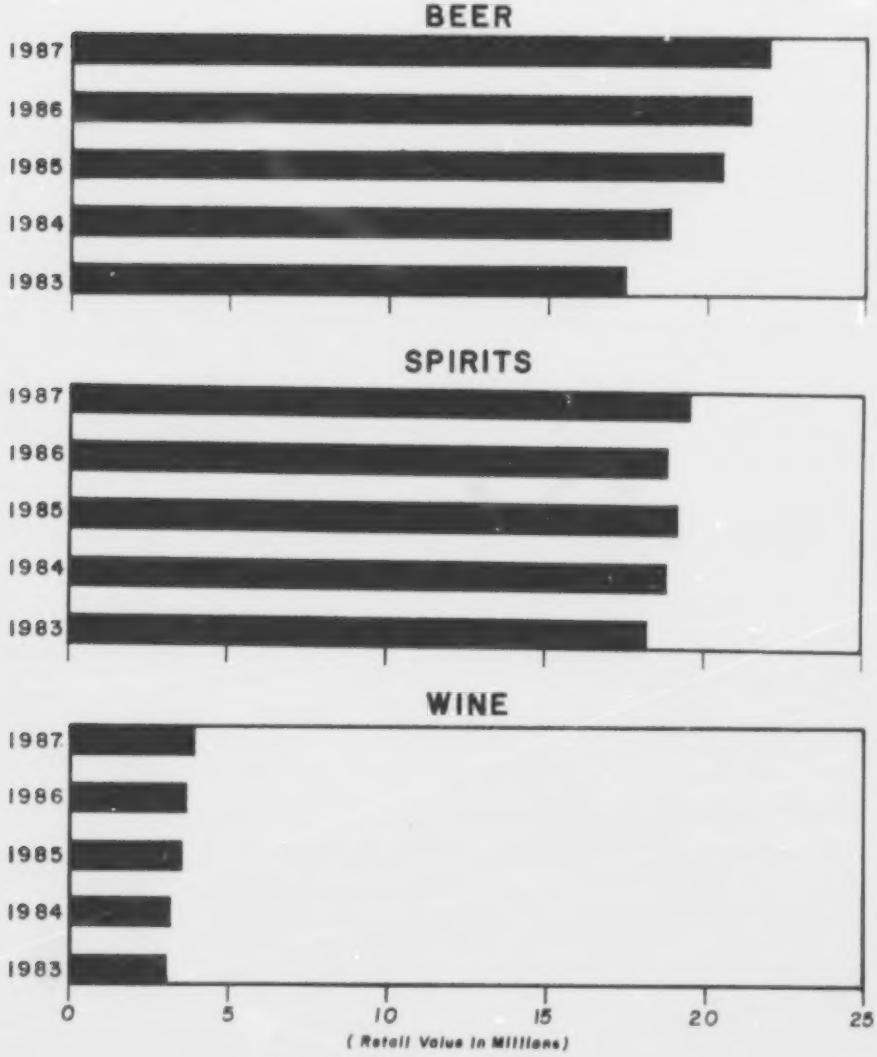



**Distribution Of Gross Income From The Sale Of Liquor**

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

RETAIL VALUES OF LIQUOR SOLD IN P.E.I.

(For The Years 1983-1987)



## LICENSES IN EFFECT AS OF MARCH 31, 1987

## AND IN COMPARISON WITH 1986

| | | 1987 | 1986 |
|---|---|---|---|
| 1. | MILITARY CANTEEN LICENSES | 26 | 26 |
| 2. | CLUB LICENSES | 72 | 70 |
| | CLUB LICENSES WERE GRANTED TO: | | |
| | Albany Lions Club | | |
| | Eastern Kings Arena | | |
| 3. | DINING ROOM LICENSES | 122 | 121 |
| | DINING ROOM LICENSES WERE GRANTED TO: | | |
| | Dagwoods | | |
| | R & B Burger King | | |
| | Aberdeen Restaurant | | |
| | Black Beard Restaurant | | |
| | MacKinnon Lobster Pound | | |
| | Silverado | | |
| | Platter House Restaurant | | |
| | Pizza Shack | | |
| | Follands Family Restaurant | | |
| | West Prince Country Club | | |
| | Gilligans Landing | | |
| 4. | LOUNGE LICENSES | 57 | 56 |
| | LOUNGE LICENSES WERE GRANTED TO: | | |
| | Silverado | | |
| | West Prince Country Club | | |

Gilligans Landing

Pats Rose And Grey

**LICENSES VOLUNTARILY SURRENDERED**

| | | |
|---|---|---|
| CLUB | 0 | 1 |
| DINING ROOM | 10 | 4 |
| 1. Barbs Place | | |
| 2. G & B's | | |
| 3. McCradys Shore Acres | | |
| 4. Papa Davids | | |
| 5. Champion House | | |
| 6. Corrigan's Diner | | |
| 7. Ponderosa House | | |
| 8. Sundunes | | |
| 9. Gallery Restaurant | | |
| 10. Minnies | | |
| LOUNGE | 3 | 4 |
| 1. Crosswinds | | |
| 2. Papa Davids | | |
| 3. Minnies | | |

**SUMMARY:**

| | | |
|---|---|---|
| Military Canteen | 26 | 26 |
| Club | 72 | 70 |
| Dining Room | 122 | 121 |
| Lounge | 57 | 56 |
| | 277 | 273 |

## AUDITOR'S REPORT

To the Commission of the

Prince Edward Island Liquor Control Commission

I have examined the balance sheet of the Prince Edward Island Liquor Control Commission as at March 31, 1987 and the statement of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I consider necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1987 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. Wayne Murphy, C.A.,

Auditor General.

Charlottetown, Prince Edward Island,

June 9, 1987.

## STATEMENT 1

## PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

## BALANCE SHEET

## MARCH 31, 1987

**(with comparative figures at March 31, 1986)**

## ASSETS

**CURRENT ASSETS**

| | 1987 | 1986 |
|---|---|---|
| Cash | $ 314,314 | $ 259,243 |
| Accounts receivable | 25,614 | 26 549 |
| Inventories — Note 1(b) | 2,273,906 | 2,064,026 |
| Prepaid expenses | 24,407 | 21,910 |
| | 2,638,241 | 2,371,728 |

**FIXED ASSETS**

| | | |
|---|---|---|
| Land, buildings and equipment-at cost less accumulated depreciation- Notes 1(a) and 4 | 1,312,622 | 1,435,226 |
| Leasehold Improvements at cost less accumulated amortization Notes 1(a) and 5 | 47,863 | 59,660 |
| | 1,360,485 | 1,494,886 |
| | $ 3,998,726 | $ 3,866,614 |

**STATEMENT 1 (Continued)**

## PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

## BALANCE SHEET

**(with comparative figures at March 31, 1986)**

## LIABILITIES

**CURRENT LIABILITIES**

| | 1987 | 1986 |
|---|---|---|
| Trade accounts payable | $ 577,716 | $ 368,532 |
| Accounts payable — other | 157,950 | 193,006 |
| Accrued interest | 34,221 | 39,088 |
| Deferred revenue | 9,246 | 5,740 |
| Debentures payable — current portion — Note 3 | 89,135 | 78,063 |
| Due to the Minister of Finance — Note 1(c) | 1,859,109 | 1,747,361 |
| | 2,727,377 | 2,449,780 |

**LONG TERM LIABILITIES**

| | | | | |
|---|---|---|---|---|
| Due to theMinister of Finance in respect of net fixed assets — non-interest bearing — Note 1(c) | | 344,136 | | 900,486 |
| Debentures payable — Note 3 | $ 516,348 | | $ 594,401 | |
| Less: Current Portion | 89,135 | 427,213 | 78,053 | 516,348 |
| | | 1,271,349 | | 1,416,834 |
| | | $ 3,998,726 | | $ 3,866,614 |

(Notes 1 to 5 are an integral part of these financial statements)

ON BEHALF OF THE COMMISSION:

COMMISSIONER: STANHOPE MOORE

COMMISSIONER: COLSTON WOOD

**STATEMENT 2**

# PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

## STATEMENT OF INCOME

## YEAR ENDED MARCH 31, 1987

**(with comparative figures for the year ended March 31, 1986)**

| | 1987 | | 1986 | |
|---|---|---|---|---|
| SALES | | $45,514,685 | | $44,065,615 |
| Less: Provincial Health Tax | $ 8,072,811 | | $ 7,772,890 | |
| Provincial Sales Tax | 3,159,037 | 11,231,848 | 3,046,443 | 10,819,333 |
| NET SALES | | 34,282,837 | | 33,246,282 |
| COST OF GOODS SOLD | | | | |
| Beginning Inventory | 2,064,026 | | 1,984,197 | |
| Purchases | 21,539,055 | | 20,772,636 | |
| | 23,603,081 | | 22,756,833 | |
| Ending Inventory | 2,273,906 | 21,329,175 | 2,064,026 | 20,692,807 |
| GROSS INCOME | | 12,953,662 | | 12,553,475 |
| EXPENSES | | | | |
| Salaries and employee benefits | 2,985,770 | | 2,806,370 | |
| Rent — Note 2 | 186,003 | | 175,798 | |
| Heat and electricity | 181,392 | | 228,237 | |
| Store supplies and office expense | 171,665 | | 135,039 | |
| Depreciation | 167,020 | | 293,589 | |
| Repairs and maintenance | 125,031 | | 139,652 | |
| Insurance and taxes | 102,234 | | 82,573 | |
| Interest on long term debt | 81,502 | | 91,699 | |
| Travel | 67,885 | | 69,532 | |
| Professional services | 49,558 | | 53,421 | |
| Miscellaneous | 34,639 | | 49,435 | |
| Telephone and telegraph | 33,529 | | 32,838 | |
| Delivery | 15,431 | | 14,226 | |
| Computer Services | 13,525 | 4,215,184 | 12,777 | 4,185,186 |
| | | 8,738,478 | | 8,368,289 |
| OTHER INCOME | | 188,526 | | 175,857 |
| NET INCOME — Note 1(c) | | $ 8,927,004 | | $ 8,544,146 |

(Notes 1 to 5 are an integral part of these financial statements)

## PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

## NOTES TO FINANCIAL STATEMENTS

## MARCH 31, 1987

1. **Summary of accounting policies**

   **(a) Depreciation and Amortization**

   Depreciation of buildings, furniture and equipment and amortization of leasehold improvements are calculated on a straight line basis at the rates indicated in Notes 4 and 5.

   **(b) Inventories**

   Inventories are valued at cost based on the latest invoice price.

   **(c) Net Income**

   All net income of the Commission accrues directly to the Province. Transfers of net income are made to the Consolidated Fund on a continuing basis as excess cash becomes available. Any funds received from operations which are used to finance net additions to fixed assets are withheld by the Commission and treated as long term loans from the Province.

2. The Prince Edward Island Liquor Control Commission leases 5 retail outlets. All of these retail outlets have written lease agreements and the maturity dates for these leases are between 1990 and 1996. The leases have a total basic yearly rent of approximately $173,000.

3. Debentures Payable — Province of Prince Edward Island

| | Balance March 31, 1987 | Less Current Portion | Long Term Liability |
|---|---|---|---|
| **Licensee Distribution Centre** | | | |
| Repayable in equal annual installments of $75,764 including interest @ 12.5% per annum, maturing November 1, 1990 | $ 227,643 | $ 47,309 | $ 180,334 |
| **North Rustico** | | | |
| Repayable in equal annual installments of $64,295 including interest @ 15.5% per annum, maturing September 1, 1991 | 212,958 | 31,286 | 181,672 |
| **Kensington** | | | |
| Repayable in equal annual installments of $24,363 including interest @ 18% per annum, maturing January 1, 1992 | 75,747 | 10,540 | 65,207 |
| | $ 516,348 | $ 89,135 | $ 427,213 |

## PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

## NOTES TO FINANCIAL STATEMENTS

## MARCH 31, 1987

**4.** Fixed Assets at cost less accumulated depreciation consist of the following:

| | Depreciation Rate | 1987 Cost | 1987 Accumulated Depreciation | 1987 Net Book Value | 1986 Net Book Value |
|---|---|---|---|---|---|
| Land | — | $ 103,979 | — | $ 103,979 | $ 103,979 |
| Buildings | 5% | 2,716,347 | $ 1,575,246 | 1,141,101 | 1,258,864 |
| Equipment | 10—33% | 442,721 | 375,179 | 67,542 | 72,383 |
| | | $ 3,263,047 | $ 1,950,425 | $ 1,312,622 | $ 1,435,226 |

**5.** Leasehold improvements are amortized over the term of the leases.

| | 1987 Cost | 1987 Accumulated Amortization | 1987 Net Book Value | 1986 Net Book Value |
|---|---|---|---|---|
| Leasehold Improvements | $ 152,243 | $ 104,380 | $ 47,836 | $ 59,660 |